YUKON UTILITIES BOARD
2008-2009 ANNUAL REPORT

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THE BOARD

The Yukon Utilities Board was established pursuant to the *Public Utilities Act,* Revised Statutes, 1986. c. 143, as amended. Section 2 of the Act defines the Board as comprised of not less than three and not more than five members. Section 4 provides for the appointment of a substitute member to act in the absence of a member of the Board. The Chair, Vice-Chair and members are appointed by the Minister of Justice for terms of three years. Members can also be appointed to serve subsequent terms, at the discretion of the Minister of Justice.

The Board office is located at Unit 19, 1114 First Avenue (Second floor of the Horwood's Mall) in Whitehorse, Yukon. Our mailing address is:

Yukon Utilities Board
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Whitehorse, Yukon Y1A 6L3

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The Board retains independent legal advisors and qualified technical consultants, and it contracts with a part-time Executive Secretary.

The Board regulates two electrical utilities in the Yukon, the Yukon Energy Corporation (YEC) owned by the Government of Yukon, and the privately owned Yukon Electrical Company Limited (YECL). The Board carries out such other functions as are required by the *Public Utilities Act* and as directed by the Minister of Justice as ordered through the territorial government's Orders-in-Council.

Under Section 52 of the *Public Utilities Act*, and following the principles of natural justice, the Board may, with respect to an inquiry:

- exercise the exclusive jurisdiction and authority to determine any question of fact, law or mixed fact or law required to be decided;
- receive such evidence or other information as it considers appropriate, whether or not such evidence is given under oath or affirmation, and whether or not it would be admissible in a court of law;
- exercise the powers, privileges, and immunities of a Board of Inquiry under the *Public Utilities Act*;
- determine the persons to whom notice of any proceedings shall be given; and
- determine its own procedures.

Board Orders are reviewable by the Yukon Court of Appeal.

The Board's authority includes carrying out investigations and reviews at the request of the Minister of Justice pursuant to the *Public Utilities Act*, namely Regulation of Public Utilities (Part II) and the regulation of Energy Projects (Part III). The Board is also empowered to investigate complaints and initiate investigations it deems necessary in the interest of ratepayers generally (Part IV).

Funding for public hearings can only be authorized by the Minister of Justice.

MEMBERSHIP

Board membership during the reporting period consisted of:

Chair	Wendy Shanks
Vice-Chair	Robert Laking
Member	Richard Hancock
Member	Jody Woodland
Member	Kathleen Avery

BOARD SUPPORT

Board Support during this reporting period was provided by:

Executive Secretary	Deana Lemke Beyond Words Business Services Whitehorse, Yukon
Technical Support	Alberta Energy and Utilities Board
Regulatory Legal Support	Alberta Energy and Utilities Board

THE YEAR IN REVIEW

Board Meetings

There were 28 Board meetings in this fiscal year, held on:

April 8, 2008
May 7, 2008
July 7, 2008
July 16, 2008
July 22, 2008
August 11, 2008
August 26, 2008
September 3, 2008
September 9, 2008
September 16, 2008
September 24, 2008
September 26, 2008
October 3, 2008
October 23, 2008
October 30, 2008
November 5, 2008
November 14, 2008
November 17, 2008
November 20, 2008
December 11, 2008
December 12, 2008
December 15, 2008
December 29, 2008
January 20, 2009
January 27, 2009
February 12, 2009
March 5, 2009
March 26, 2009

CANADIAN ASSOCIATION OF MEMBERS OF PUBLIC UTILITY TRIBUNALS (CAMPUT)

The Yukon Utilities Board continues to be an active member of the Canadian Association of Members of Public Utilities Tribunals (CAMPUT). The Board relies on CAMPUT and the Alberta Energy and Utilities Board to provide most Board member training.

Chair Wendy Shanks and Board Member Richard Hancock attended the CAMPUT Conference from April 20 to 23, 2008 in Banff, Alberta.

Vice-Chair Robert Laking participated in the CAMPUT Energy Regulation Course at Queen's University in Kingston, Ontario from June 28 to July 2, 2008.

The CAMPUT Annual General Meeting and Conference was held in Charlottetown, PEI from September 7 to 10, 2008. Board members Jody Woodland and Richard Hancock attended these events.

From January 12 to 15, 2009, Chair Wendy Shanks attended the CAMPUT Dialogue on Carbon Pricing and the Chairs Policy Review Meeting in Calgary, Alberta.

BOARD TRAINING AND EDUCATION

Board Member Kathleen Avery attended a workshop on Administrative Law and Practice October 27 to 30, 2009 in Ottawa, Ontario.

Vice-Chair Robert Laking attended two workshops on Administrative Justice for Decision-Makers (level 1 and 2) at Yukon College in Whitehorse on February 27 and 28, 2009, and March 6 and 7, 2009.

HEARINGS

The Board concluded its proceeding regarding the Yukon Energy Corporation-Minto Power Purchase Agreement, initiated in the 2007-08 fiscal year. In addition, the Board was involved in a Yukon Electrical Company Ltd. General Rate Application proceeding. It also initiated a proceeding with respect to a General Rate Application from Yukon Energy Corporation.

Yukon Energy Corporation-MInto Power Purchase Agreement

On June 1, 2006, YEC filed an application with the Board to review its 20-Year Resource Plan: 2006-2025 to address Yukon's major electrical generation and transmission needs. The Resource Plan set out YEC's expected near-term and longer-term requirements. Four near-term projects were proposed in the Resource Plan. Four alternatives, based on various scenarios to meet the needs of industrial customers, were set out to meet longer-term requirements. Certain near-term planning activities were proposed to protect longer-term options to address new load requirements.

The Minister of Justice of the Government of Yukon requested that the Board review and hold a hearing on the Resource Plan. The Board forwarded its report with its recommendations on YEC's Resource Plan to the Commissioner in Executive Council on January 15, 2007. In accordance with YEC's commitment and the recommendations in the January 15, 2007, report, on February 9, 2007, YEC filed the finalized Power Purchase Agreement (PPA) for review and approval by the Board. In Board Order 2007-01, dated February 9, 2007, the Board established a procedural schedule for the PPA proceeding.

Through Board correspondence dated March 5, 2007, the Board granted the Utilities Consumers' Group's request for a second round of Information Requests (IR) (pertaining to the Macquarrie Bank Financing (MBF)). The Board directed that IRs were to be submitted to YEC by March 7, 2007, and responses were to be received from YEC by March 9, 2007. On April 30, 2007, the Board issued Board Order 2007-5, denying the application as applied for.

The Board directed YEC to revise the PPA based on the Reasons and file the revision with the Board by May 31, 2007. The Board encouraged YEC to endeavour, by May 9, 2007, to reach an agreement in principle with Minto Exploration on the changes required by the Board in order for the Board to approve the PPA, and advise the Board of the status by that date.

On May 14, 2007, YEC filed amendments to the PPA with the Board. This amended PPA was signed by representatives of YEC and Minto Exploration. The amended PPA, among other things, provided for any financing risk of the Minto Capital Cost Contribution to be on account of Yukon Development Corporation, and amended the Minto Minimum Take or Pay amount and term. YEC also advised that the Yukon Government will fix Rate Schedule 39 as required by the amended PPA.

The Board reviewed the filing and agreed that it met the intent of Board Order 2007-5. Therefore, the Board approved the PPA as amended on May 14, 2007.

YECL General Rate Application

On April 30, 2008, YECL filed with the Board an Application for approval of its forecast revenue requirements for the 2008 and 2009 test years and approval of certain deferral accounts. On May 20, 2008, the Minister of Justice authorized the Board to incur the expenses necessary to conduct a public hearing into the Application pursuant to Section 50 of the *Public Utilities Act*.

The Board held a pre-hearing conference on June 12, 2008, in Whitehorse. On June 20, 2008, the Board issued Order 2008-5 which, among other matters, established a proceeding schedule for the Application.

On October 7, 2008, the Board held an oral public hearing in the City of Whitehorse, Yukon, before the Board. The Board considered the extensive evidence and the written Argument and Reply Argument of the parties respecting the Application.

The Board directed YECL to provide a compliance filing to the Board within 45 days of the issuance of this Order in accordance with the directions set out in the Reasons for Decision. The Board approved the 2008 and 2009 revenue requirement for YECL with the changes directed in the Reasons for Decision. Highlights of the Reasons for Decision are included below:

1. The Board finds, based on previous years' growth in residential customers, that the number of residential customers will increase by 1.7% in 2009. This 1.7% increase takes into account YECL's projections at the time of filing that there may be a shortage of developed lots in 2009. Accordingly, the Board directs YECL in its refiling to adjust its 2009 forecast with respect to the number of residential customer additions from 1.1% to 1.7%. To be clear, the Board directs YECL in its refiling to increase the number of residential customers to 12,908 from 12,836 currently in the forecast and to reflect this change in related schedules and its revenue requirement in the GRA. (Pages 5-6)
2. The Board accepts YEC's suggestion that the available generation at the Fish Lake hydro plant should be based on all years of available data. Accordingly, the Board finds 8.73 GW.h is reasonable as the base generation for the Fish Lake hydro facility, prior to considering the impact of any downtime due to the Fish Lake hydro rebuilds. Therefore, the Board directs YECL in its refilling to reflect base hydro generation of 8.73 GW.h. (Pages 10-11)
3. The Board finds a vacancy rate of 3.5, the average actual vacancies for the period 2003 to 2007, to be reasonable for the test years. Therefore, the Board directs YECL in its refiling to reflect a vacancy rate of 3.5 FTEs for each of the test years. (Page 15)
4. The Board does not accept YECL's proposed 5% inflation rate for the two-year test period, as YECL has not shown it is a reasonable inflation rate.

The Board finds it reasonable that the forecast non-labour inflation rate for 2008 and 2009 be 3.75%, which is calculated using a 50/50 weighting and inflation rates of 5.0% (Alberta) and 2.5% (Whitehorse).

5. The Board finds CW's proposal to accept the I-Tek rates as final for setting information technology and customer care rates appropriate from an efficiency standpoint. Accordingly, the Board approves YECL's proposed affiliate costs subject to the proviso that the inflation rate will be adjusted to the Board-approved inflation rate for non-labour costs. The Board directs YECL in its refiling to align its proposed affiliate costs with the non-labour costs adjusted to reflect the Board-approved non-labour inflation rate. (Page 18)

6. The Board agrees with the position of YEC that the 3.8% increase for 2008 is the most accurate and up-to-date information in this proceeding. Therefore, the Board directs YECL to use 3.8% as the increase in Taxes Other Than Income for 2008 over 2007 actual costs. The Board accepts the 4% forecast increase amount over 2008 costs for 2009 costs as proposed by YECL. (Page 19)

7. With respect to Future Reserve for Site Restoration (FRSR), the Board is persuaded by the arguments of YEC and CW that consistency in this area is important. Given that the negative net salvage balance continues to grow, the Board does not believe that there is a need to continue to collect such amounts. (Page 22)

8. The Board cannot accept the equity ratio as proposed by YECL. Given current market conditions which are discussed in the Cost of Debt Section, the Board directs YECL to use the last approved equity ratio of 40%. (Page 27)

9. YECL is directed to use an ROE for 2008 of 9.08%. For 2009, YECL will use a risk premium of 46 basis points above the BCUC 2009 benchmark ROE. (Page 29)

10. The Board finds that YECL should use a debt rate of 5.623% for the debt issued in 2008. (Page 33)

11. The Board directs YECL to re-establish the Rate Case Reserve Account with the initial balance of $450,000 carried over from 2005 as the beginning balance in 2008 and allow provisions of $150,000 for each of 2008 and 2009 to establish and ending balance in 2009 of $750,000. YECL in its refilling must adjust its revenue requirement accordingly. Furthermore, the Board directs that YECL must, in future, make an application to this Board to apply any amounts in this account to rate-case proceedings. In general, YECL cannot dispense with any balances in deferral or reserve accounts without prior Board approval. Regarding Diesel Plant Major Overhaul Reserve and Fish Lake License Renewal Costs in Deferred Charges and Credits, the Board accepts the amounts as filed by YECL except for the Rate Case Reserve. The Board directs that YECL is to only use the

amounts in these reserve accounts for the purposes for which they are intended. Other uses are not allowed without Board approval. (Page 36)

12. The Board directs YECL in future to provide business cases for all major capital expenditures at the time YECL files its rate applications to give the Board and Intervenors better opportunity to examine the business cases and time to allow for written information requests. The Board further directs YECL in future rate applications to provide an itemized list of miscellaneous capital expenditures. (Page 37)
13. The Board will allow the Haines Junction diesel plant into rate base without prejudice (Page 39)
14. The Board is not prepared to accept the AMR project at this time and directs YECL to remove this project and its costs from rate base. The Board expects an AMR business case to be filed with YECL's next GRA. (Page 42)
15. The Board directs YECL, in conjunction with YEC, to consult with stakeholders and develop a policy paper with respect to IPPs to be included as part of YECL's and YEC's next GRA. (Page 43)
16. The Board directs YECL, in conjunction with YEC, to consult with stakeholders and develop a policy paper with respect to DSM initiatives and include this policy paper as part of YECL's and YEC's next GRA. To be clear, YEC and YECL are to jointly lead these processes and jointly submit the policy papers (IPP and DSM) in their next GRA. The DSM policy papers are to provide DSM initiatives developed through negotiations with Intervenors and communities in its service territory and YEC's service territory. (Page 44)

YEC General Rate Application and Request for Interim Refundable Rates

On October 6, 2008, YEC filed with the Board an Application, pursuant to the *Public Utilities Act* and Order-In-Council 1995/90, requesting an Order approving forecast revenue requirements for the 2008 and 2009 test years of $29.217 million for 2008 and $31.599 million for 2009. The Application also requested approval of Interim Refundable Rates for retail rate reductions (Rider U) commencing November 1, 2008, which was subsequently amended to December 1, 2008, applicable only to first block rates where feasible, without any rate rebalancing between customer classes. YEC also requested that an increase in residential run-off rates be approved as part of an Interim Refundable Rates Order.

The Board considered YEC's request for approval of Interim Refundable Rates and the submissions received from interested parties. The Board noted that all interested parties supported customers receiving the immediate benefits of higher sales arising from YEC's interconnection of Minto Explorations. The Board also noted that the interested parties supported the position that it is more appropriate to consider rate restructuring within the context of a Phase II

proceeding. The Board agreed with interested parties that alternative rate structures should be tested before implementation and that, on an interim basis, Rider J is the best vehicle to flow the benefits through to retail customers.

The Board denied the interim refundable rate as requested by YEC and ordered YEC to implement an interim rate by amending Rider J and applying a 5.98-percent decrease to the base rates of all rate classes, except Rates 39 and 32, effective December 1, 2008.

The Board held a pre-hearing conference on January 7, 2009, in Whitehorse with respect to the YEC General Rate Application. The hearing was scheduled to be held May 5 to 7, 2009, in Whitehorse.

BOARD ORDERS

Below is a summary of Board Orders approved by the Board during this reporting period. All Board Orders can be viewed on the Board's website at www.yukonutilitiesboard.yk.ca

Order No.	Date	Order
2008-3	May 7, 2008	Process for Cost Awards Review and Variance (Orders 2007-7 and 2007-8)
2008-4	May 16, 2008	Yukon Electrical Company Ltd. General Rate Application — Regulatory Schedule
2008-5	May 20, 2008	Yukon Electrical Company Ltd. General Rate Application — Revised schedule, scope, issues list
2008-6	July 17, 2008	Yukon Electrical Company Ltd. Interim Refundable Rate Riders
2008-7	July 23, 2008	Yukon Electrical Company Ltd. General Rate Application — Request for revised schedule
2008-8	September 3, 2008	Decision to Deny Utilities Consumers' Group complaint re Diesel Costs

Order No.	Date	Order
2008-9	September 9, 2008	Yukon Electrical Company Ltd. Further Information Requests
2008-10	September 16, 2008	Yukon Energy Corporation Request for Approval of Rate 39
2008-11	September 16, 2008	Yukon Electrical Company Ltd. Rate Hearing — second round of IRs re: depreciation
2008-12	September 24, 2008	Yukon Electrical Company Ltd. request for extension to file IRs on depreciation and expert witness
2008-13	September 25, 2008	Decision to approve Rate 39
2008-14	September 26, 2008	Decision to strike Utilities Consumers' Group evidence from Yukon Electrical Company Ltd. General Rate Application Proceeding
2008-15	October 30, 2008	Yukon Energy Corporation General Rate Application Regulatory Schedule
2008-16	November 14, 2008	Yukon Energy Corporation Interim Refundable Rates
2008-17	November 17, 2008	Yukon Energy Corporation Interim Refundable Rates — Amending Board Order 2008-16
2008-18	December 11, 2008	Decision re: Utilities Consumers' Group request for Review and Variance of cost awards

Order No.	Date	Order
2009-1	January 20, 2009	Yukon Energy Corporation General Rate Application approval of Intervenors, Issues List, regulatory schedule.
2009-2	February 12, 2009	Yukon Electrical Company Ltd. General Rate Application Decision and Reasons
2009-3	February 26, 2009	Yukon Energy Corporation General Rate Application Board Decision re: YEC IR Responses

FUTURE BOARD ACTIVITIES

In recent years, Yukon Utilities Board (YUB) activities have significantly increased. There were twenty-eight Board meetings and nineteen Board Orders issued in 2008-2009, as compared to eleven Board meetings and eight Board Orders in the 2007-2008 reporting period.

In addition to the public hearings that were undertaken by the YUB over this time period, the Board also experienced a steady increase in inquires from stakeholders and the public on matters related to it's jurisdiction under the *Public Utilities Act* (PUA).

The YUB continues to build on Board member training and involvement in CAMPUT. CAMPUT, which is the national association for energy regulators, provides a leading role in addressing current relevant topics of interest to regulators across Canada, as well as providing ongoing education to its members. In September 2010, the YUB will host the Annual General Meeting for CAMPUT. This AGM will bring the Chairs and Board members of provincial and territorial energy regulatory tribunals to Whitehorse for their annual meeting. The YUB will continue to be actively involved with CAMPUT activities and in future Board member training.

The activity of the YUB over the recent reporting years represents a significant increase in activity for a part-time Board. Due to the nature of the matters that come before the YUB, it is required that these matters be addressed in a manner that is commensurate with a full-time Board. Looking forward, the Board does not expect that this level of activity will subside in 2009-2010 and the near future.